

**ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 3**

Annual Financial Statements

December 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 25 2013

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Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 3
Lacombe, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of St. Tammany Parish Fire Protection District No. 3 ("the District"), a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of governing board is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2013, on our consideration of St. Tammany Parish Fire District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

Covington, LA
April 25, 2013

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
Statement of Net Position
December 31, 2012

| | Governmental Activities |
|--|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 218,319 |
| Receivables - Ad Valorem Taxes, Net | 1,574,304 |
| Receivables - State Revenue Sharing | 35,043 |
| Receivables - Emergency Medical Services | 48,473 |
| Receivables - Other | 1,169 |
| Prepaid Expenses | 36,626 |
| Capital Assets | |
| Land | 287,350 |
| Depreciable Buildings, Property and Equipment, Net | <u>1,106,922</u> |
| Total Assets | <u>3,308,206</u> |
| Liabilities | |
| Accrued Payroll | 21,713 |
| Accrued Interest | 2,318 |
| Compensated Absences | 54,188 |
| Noncurrent Liabilities | |
| Due Within One Year | 138,000 |
| Due in More than One Year | <u>79,000</u> |
| Total Liabilities | <u>295,219</u> |
| Net Position | |
| Net Investment in Capital Assets | 1,177,272 |
| Unrestricted | <u>1,835,715</u> |
| Total Net Position | <u>\$ 3,012,987</u> |

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
Statement of Activities
For the Year Ended December 31, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenues and Changes in Net Position |
|--|---------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities | | | | | |
| Public Safety - Fire Protection | \$ 1,733,037 | \$ - | \$ 61,550 | \$ 6,987 | \$ (1,664,500) |
| Public Safety - Emergency Medical Services | 94,316 | 288,850 | - | - | 194,534 |
| Interest on Long-Term Debt | 9,434 | - | - | - | (9,434) |
| Total | \$ 1,836,787 | \$ 288,850 | \$ 61,550 | \$ 6,987 | (1,479,400) |
| General Revenues | | | | | |
| Ad Valorem Taxes | | | | | 1,711,193 |
| State Revenue Sharing | | | | | 52,512 |
| 2% Fire Tax | | | | | 28,813 |
| Other Income | | | | | 16,448 |
| Gain on Sale of Assets | | | | | 2,122 |
| Interest and Investment Earnings | | | | | 269 |
| Total General Revenues | | | | | 1,811,357 |
| Change in Net Position | | | | | 331,957 |
| Net Position, Beginning of Year | | | | | 2,681,030 |
| Net Position, End of Year | | | | | \$ 3,012,987 |

The accompanying notes are an integral part of these financial statements.

**FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUND**

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
Balance Sheet
Governmental Fund
December 31, 2012

| | General Fund |
|--|----------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 218,319 |
| Receivables - Ad Valorem Taxes, Net | 1,574,304 |
| Receivables - State Revenue Sharing | 35,043 |
| Receivables - Emergency Medical Services | 48,473 |
| Receivables - Other | 1,169 |
| Prepaid Expenses | <u>36,626</u> |
| Total Assets | <u><u>\$ 1,913,934</u></u> |
| Liabilities | |
| Accrued Payroll | <u>21,713</u> |
| Total Liabilities | <u>21,713</u> |
| Fund Balance | |
| Unassigned | <u>1,892,221</u> |
| Total Fund Balance | <u>1,892,221</u> |
| Total Liabilities and Fund Balance | <u><u>\$ 1,913,934</u></u> |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | |
| Total Fund Balance | \$ 1,892,221 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 1,394,272 |
| Long-term liabilities, including certificates of indebtedness and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | (271,188) |
| Accrued interest on long-term liabilities is not reported in the governmental funds. | <u>(2,318)</u> |
| Net Position of Governmental Activities | <u><u>\$ 3,012,987</u></u> |

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
Statement of Revenues, Expenditures and Changes
in Fund Balance - Governmental Fund
For the Year Ended December 31, 2012

| | General Fund |
|--|-------------------------|
| Revenues | |
| Ad Valorem Taxes | \$ 1,711,193 |
| Emergency Medical Services | 288,850 |
| Folgers Payment | 60,000 |
| State Revenue Sharing | 52,512 |
| 2% Fire Tax | 28,813 |
| Miscellaneous | 16,448 |
| Grant | 6,987 |
| Donations | 1,550 |
| Earnings on Investments | 269 |
| Total Revenues | 2,166,622 |
| Expenditures | |
| Public Safety - Fire Protection | |
| Salaries | 893,848 |
| Retirement | 204,310 |
| Health Insurance | 141,812 |
| Insurance | 137,319 |
| Professional Fees | 79,717 |
| Vehicles - Repairs | 26,373 |
| Supplies | 24,204 |
| Utilities | 23,286 |
| Vehicles - Fuel | 20,674 |
| Communication | 19,611 |
| Office Supplies | 14,593 |
| Repairs | 10,632 |
| Uniforms | 6,358 |
| Turn Out Gear | 5,757 |
| Training | 5,600 |
| Payroll Taxes | 3,006 |
| Per Diem | 2,400 |
| Miscellaneous | 2,028 |
| Advertisement | 1,218 |
| Public Safety - Emergency Medical Services | |
| Medical Supplies | 29,810 |
| Ambulance Repairs | 21,650 |
| Ambulance Fuel | 15,928 |
| EMS Training | 2,189 |
| Capital Outlay - Equipment | 12,290 |
| Debt Service - Principal | 133,000 |
| Debt Service - Interest | 11,955 |
| Total Expenditures | 1,849,568 |
| Net Change in Fund Balance | 317,054 |
| Fund Balance, Beginning of Year | 1,575,167 |
| Fund Balance, End of Year | \$ 1,892,221 |

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
For the Year Ended December 31, 2012

Amounts reported for governmental activities in the Statement of
Activities are different because:

| | |
|--|--------------------------|
| Net Change in Fund Balance - Total Governmental Fund | \$ 317,054 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | (126,093) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets. | (1,778) |
| The issuance of long-term debt (e.g., certificates of indebtedness, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 133,000 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Change in Accrued Interest Payable | 2,521 |
| Change in Compensated Absences Payable | <u>7,253</u> |
| Change in Net Position of Governmental Activities | <u>\$ 331,957</u> |

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The mission of the St. Tammany Parish Fire Protection District No. 3 (the District) is to provide fire protection in that area of St. Tammany Parish (the Parish), which includes Lacombe, Louisiana. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies:

Reporting Entity

The District was created in 1954, by Ordinance 3017 of the St. Tammany Parish Council. The District is governed by a Board of Commissioners, which is appointed by the St. Tammany Parish Council. The Board consists of five Commissioners who serve two-year terms.

As the governing authority of the Parish, for financial reporting purposes, the St. Tammany Parish Government is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (Parish Council) (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish because the Parish Council appoints all members of the District and, as such, is financially accountable for the District. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

Basis of Presentation

The accompanying financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified as governmental. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The District reports the following major governmental fund:

General Fund

The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that would be required to be accounted for in other funds, if any.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus / Basis of Accounting

The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined, and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when payment is due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position and financial position.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows.

Ad valorem taxes and state revenue sharing associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Budgets and Budgetary Accounting

The Board of Commissioners adopted a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the Board. Budgeted amounts included in the accompanying financial statements include all amendments. All budgeted amounts which are not expended or obligated through contracts lapse at year-end. The General Fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The District's employees earn varying amounts of vacation and sick leave each year. Employees cannot accrue sick leave; however, vacation leave may be accrued, up to thirty days, and used to supplement sick leave in the event of catastrophic illness. At termination or retirement, employees may be paid for unused vacation. However, sick leave is forfeited. At December 31, 2012, the District had compensated absences of \$54,188, which is reported as a liability on the Statement of Net Position.

Cash and Cash Equivalents

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Accounts Receivable - Medical Services

Residents, who use the emergency medical transportation service provided by the District, are charged a fee ranging from \$230 to \$650 based on the type of medical care. Mileage is billed at \$7.89 per mile.

Capital Assets

All capital assets are recorded at historical cost in the government-wide financial statements. Depreciation of all exhaustible capital assets is charged as an expense against their operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District capitalizes for depreciation purposes equipment over \$2,500.

In the fund financial statements, capital assets are accounted for as capital outlay expenditures upon acquisition.

The following estimated useful lives and methods are used to compute depreciation:

| | | |
|-----------|---------------|---------------|
| Buildings | 30 Years | Straight-Line |
| Vehicles | 5 - 15 Years | Straight-Line |
| Equipment | 10 - 15 Years | Straight-Line |

Depreciation expense amounted to \$138,390 for the year ended December 31, 2012.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Equity Classifications

During fiscal year ended December 31, 2012, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As the District does not report any deferred inflows or outflows, the effect of the implementation was to replace the term net assets with net position. In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* - consists of capital assets including restricted assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. *Restricted net position* - consists of net assets with constraints placed on their use either by external groups or law.
- c. *Unrestricted net position* - consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

The District has adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which significantly changed the reporting of fund balance in the balance sheets of governmental funds. In the governmental fund financial statements, fund balances are classified as follows:

1. *Restricted Fund Balance* - Amounts that can be spent only for specific purposes because of the District's bond resolution, state or federal laws, or externally imposed conditions by grantors, creditors or citizens.
2. *Unassigned Fund Balance* - All amounts not included in other spendable classifications.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Note 2. Ad Valorem Taxes

Property taxes for the operations and bond debt service of the District are levied each November 1st on the assessed value listed as of the prior January 1st for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed in 2012.

Taxes are due and payable December of the following year. Property tax revenues are recognized when levied to the extent that they are determined to be collectible.

The following is a summary of authorized and levied ad valorem taxes:

| | Authorized | Levied | Expiration |
|---|------------|--------|------------|
| Maintaining, acquiring, constructing, improving and operating fire protection and rescue services | 5.00 | 5.00 | 2022 |
| Maintaining, acquiring, constructing, improving and operating fire protection and rescue services | 10.00 | 10.00 | 2022 |
| Maintaining, acquiring, constructing, improving and operating fire protection and rescue services | 10.00 | 10.00 | 2022 |
| Maintaining, acquiring, constructing, improving and operating fire protection and rescue services | 10.00 | 10.00 | 2019 |

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

Notes to Financial Statements

Note 3. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 2012:

| | |
|-----------------|-------------------|
| Demand Deposits | <u>\$ 218,319</u> |
|-----------------|-------------------|

These deposits are stated at cost, which approximates market.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2012, the District has \$257,469 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 in federal deposit insurance and \$7,469 in securities pledged by the local bank.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Note 4. 2% Fire Insurance Tax

The District is eligible and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana. The amounts received by the District are based on the population of the areas that it serves. In accordance with Louisiana Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" fire protection, as the District shall direct.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3**Notes to Financial Statements****Note 5. Capital Assets**

Capital assets activity for the year ended December 31, 2012, is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------------|---------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 287,350 | \$ - | \$ - | \$ 287,350 |
| Capital Assets Being Depreciated | | | | |
| Building | 895,879 | - | - | 895,879 |
| Firefighting and Rescue Equipment | 643,310 | - | - | 643,310 |
| Communication Equipment | 31,000 | - | - | 31,000 |
| Other Equipment | 74,856 | - | - | 74,856 |
| Vehicles | 936,308 | 12,297 | (15,128) | 933,477 |
| Total Capital Assets Being Depreciated | 2,581,353 | 12,297 | (15,128) | 2,578,522 |
| Less Accumulated Depreciation for: | | | | |
| Building | (289,617) | (21,339) | - | (310,956) |
| Firefighting and Rescue Equipment | (433,976) | (53,154) | - | (487,130) |
| Communication Equipment | (26,610) | (1,397) | - | (28,007) |
| Other Equipment | (46,879) | (6,905) | - | (53,784) |
| Vehicles | (549,478) | (55,595) | 13,350 | (591,723) |
| Total Accumulated Depreciation | (1,346,560) | (138,390) | 13,350 | (1,471,600) |
| Total Capital Assets Being Depreciated, Net | 1,234,793 | (126,093) | (1,778) | 1,106,922 |
| Capital Assets, Net | \$ 1,522,143 | \$ (126,093) | \$ (1,778) | \$ 1,394,272 |

Note 6. Long-Term Debt

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2012:

| | Certificates of Indebtedness |
|------------------------------|---|
| General Obligation: | |
| Payable at January 1, 2012 | \$ 350,000 |
| Additions | - |
| Retired | (133,000) |
| Payable at December 31, 2012 | \$ 217,000 |
| Due Within One Year | \$ 138,000 |

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

Details on the District's long-term debt as of December 31, 2012, are as follows:

| | |
|--|--------------------------|
| \$160,000 Certificate of Indebtedness dated February 28, 2007; balance due in annual principal installments, starting March 1, 2008, of \$21,000 - \$30,000, plus semi-annual interest payments through March 1, 2013, with interest at 4.65%; secured by a pledge of ad valorem millages. | \$ 30,000 |
| \$600,000 Certificate of Indebtedness dated August 25, 2003; balance due in annual principal installments, starting March 1, 2004, of \$45,000 - \$71,000, plus semi-annual interest payments through March 1, 2013, with interest at 3.42%; secured by a pledge of ad valorem millages. | 71,000 |
| \$185,000 Certificate of Indebtedness dated March 4, 2010; balance due in annual principal installments, starting March 1, 2011, of \$34,000 - \$40,000, plus semi-annual interest payments through March 1, 2015, with interest at 4.65%; secured by a pledge of ad valorem millages. | <u>116,000</u> |
| Total | <u>\$ 217,000</u> |

Certificates of indebtedness are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the District is legally restricted from incurring long-term bonded debt in excess of 10% of the assessed value of taxable property in the District. At December 31, 2012, the District had not exceeded this statutory limit.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

The following is a schedule of future principal debt service requirements as of December 31, 2012:

| December 31, | Certificates of Indebtedness | | |
|--------------|------------------------------|-----------|------------|
| | Principal | Interest | Total |
| 2013 | \$ 138,000 | \$ 6,473 | \$ 144,473 |
| 2014 | 39,000 | 2,767 | 41,767 |
| 2015 | 40,000 | 930 | 40,930 |
| Total | \$ 217,000 | \$ 10,170 | \$ 227,170 |

Note 7. Retirement System

Substantially all employees of the District are members of the Louisiana Firefighters' Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees.

Membership in the System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance prior to January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service, or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Capital Station, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095, or by calling (225) 925-4060 or online at www.lafirefightersret.com.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3

Notes to Financial Statements

Note 7. Retirement System (Continued)

Funding Policy

Members of the System are required by state statute to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 24% of annual covered payroll. The contribution requirements of System members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System for the years ended December 31, 2012, 2011 and 2010 were \$204,310, \$194,530, and \$136,835, respectively, equal to the required contribution for each year.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2012, the District carried insurance through various commercial carriers to cover all risks of loss. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|------------------|-------------------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> <u>(Budgetary</u> | <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u> |
| Revenues | | | | |
| Ad Valorem Taxes | \$ 1,458,000 | \$ 1,479,397 | \$ 1,711,193 | \$ 231,796 |
| Emergency Medical Services | 236,000 | 237,500 | 288,850 | 51,350 |
| Grant | - | 6,987 | 6,987 | - |
| Folgers Payment | 60,000 | 60,000 | 60,000 | - |
| State Revenue Sharing | 52,000 | 52,000 | 52,512 | 512 |
| 2% Fire Tax | 29,000 | 29,000 | 28,813 | (187) |
| Miscellaneous | 1,600 | 16,530 | 16,448 | (82) |
| Donations | 2,000 | 1,550 | 1,550 | - |
| Earnings on Investments | 500 | 250 | 269 | 19 |
| Total Revenues | 1,839,100 | 1,883,214 | 2,166,622 | 283,408 |
| Expenditures | | | | |
| Public Safety - Fire Protection | | | | |
| Salaries | 893,563 | 926,916 | 893,848 | 33,068 |
| Retirement | 218,256 | 204,656 | 204,310 | 346 |
| Health Insurance | 145,000 | 141,900 | 141,812 | 88 |
| Insurance | 135,000 | 137,800 | 137,319 | 481 |
| Professional Fees | 58,385 | 79,275 | 79,717 | (442) |
| Utilities | 29,000 | 23,500 | 23,286 | 214 |
| Vehicles - Fuel | 28,000 | 20,700 | 20,674 | 26 |
| Vehicles - Repairs | 26,000 | 26,000 | 26,373 | (373) |
| Communication | 17,000 | 19,400 | 19,611 | (211) |
| Supplies | 7,740 | 18,928 | 24,204 | (5,276) |
| Office Supplies | 19,452 | 20,302 | 14,593 | 5,709 |
| Repairs | 17,900 | 10,700 | 10,632 | 68 |
| Training | 9,200 | 5,600 | 5,600 | - |
| Uniforms | 6,000 | 6,400 | 6,358 | 42 |
| Payroll Taxes | 3,500 | 3,000 | 3,006 | (6) |
| Per Diem | 3,250 | 2,400 | 2,400 | - |
| Advertisement | 1,000 | 1,218 | 1,218 | - |
| Miscellaneous | 2,900 | 2,575 | 2,028 | 547 |
| Turn Out Gear | 5,000 | 5,800 | 5,757 | 43 |
| Public Safety - Emergency Medical Services | | | | |
| Medical Supplies | 16,000 | 16,000 | 17,810 | (1,810) |
| Ambulance Fuel | 16,000 | 16,000 | 15,928 | 72 |
| EMS Training | 8,000 | 2,200 | 2,189 | 11 |
| Ambulance Repairs | 10,000 | 22,700 | 21,650 | 1,050 |
| Medical Director | 12,000 | 12,000 | 12,000 | - |
| Capital Outlay - Equipment | 6,000 | 12,290 | 12,290 | - |
| Debt Service - Principal | 130,000 | 130,000 | 133,000 | (3,000) |
| Debt Service - Interest | 14,954 | 14,954 | 11,955 | 2,999 |
| Total Expenditures | 1,839,100 | 1,883,214 | 1,849,568 | 33,646 |
| Net Change in Fund Balance | \$ - | \$ - | 317,054 | \$ 317,054 |
| Fund Balance, Beginning of Year | | | 1,575,167 | |
| Fund Balance, End of Year | | | \$ 1,892,221 | |

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
Schedule of Governing Board
December 31, 2012

| Board of Commissioners | Compensation |
|--|---------------------|
| Raymond Batiste, Treasurer P. O. Box 672 Lacombe, LA 70445 (985) 640-5298 Term Expires: December 31, 2015 | \$400 |
| Danny MacGregor 59218 Pine Bay Lane Lacombe, LA 70445 (985) 882-7655 Term Expires: December 31, 2015 | \$350 |
| A.J. Montalbano, Chairman 61261 Anchorage Drive Lacombe, LA 70445 (985) 882-7051 Term Expires: December 31, 2015 | \$450 |
| Leo Casanave, Secretary P. O. Box 105 Lacombe, LA 70445 (985) 882-7460 Term Expires: December 31, 2015 | \$550 |
| Rock M. Petersen, Vice-Chairman 59531 Sue Drive Lacombe, LA 70445 (985) 882-6462 Term Expires: December 31, 2015 | \$450 |

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 3
Lacombe, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the accompanying financial statements of the governmental activities and the major funds of St. Tammany Parish Fire Protection District No. 3 (the "District"), a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, identified as item 2012 - 1.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

An Independently Owned Member, McGladrey Alliance

The McGladrey Alliance is a former relation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client relationships, delivery of services and maintenance of client relationships.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

St. Tammany Parish Fire Protection District No. 3's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
April 25, 2013

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
Schedule of Findings and Responses
For the Year Ended December 31, 2012

2012 - 1 Financial Statement Preparation

Criteria: Management's preparation of the annual financial statements.

Condition: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the District's annual financial statements. This condition is intentional by management based upon the District's lack of financial complexity, along with the cost prohibitive nature of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been fully implemented. Recently issued U.S. Generally Accepted Auditing Standards require that we report the above condition as a material weakness.

Cause: The District's lack of financial complexity.

Effect: Numerous year-end adjusting journal entries.

Recommendation: We have determined that the most cost effective and prudent use of the District's funds is to engage the auditor to prepare the District's annual financial report. As such we feel no action by the District is necessary at this time.

Management's Response: No action will be taken by management at this time.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2012

2011 - 1 Financial Statement Preparation

Status: This finding has not been resolved. See current year finding 2012 - 1.